

ANALYZING THE CURRENT PRACTICES OF CSR IN THE MANUFACTURING SECTOR OF BANGLADESH

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Letter of Transmittal

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Dear Sir

It is a great pleasure to hand over my project report, which was assigned to me as partial fulfillment of the BBA degree requirement. While preparing the paper, I tried my level best to carry out all the research project requirements.

I consider myself very privileged to prepare this project report under your guidance. This has been an excellent opportunity for me to learn how to conduct a project. You have provided me valuable instruction, suggestions, constant attention whenever needed for my project for that I am incredibly thankful to you.

I would be available to answer any questions and clarify any confusion, which would be necessary according to your consideration. I hope you will accept my project report and consider minor mistakes.

Sincerely

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Abstract

The companies under the manufacturing sector of Bangladesh are practicing CSR to fulfill their responsibility towards the employees, community, the environment, and society. The implementation of CSR is not properly done by those companies. The study aimed to identify the reason for manufacturing sector companies' poor practices of corporate social responsibility (CSR). This research is exploratory qualitative research. This paper analyses the current practices of eight companies under the manufacturing sector. This paper also investigated the effectiveness of the existing law of the business to implement CSR. The legal regulations of CSR implementation of different countries also analyze in this paper. The results suggested that the companies under the manufacturing sector are not systematically conducting CSR due to a lack of proper guidelines and legal regulations. The existing laws do not contain appropriate provisions which are in favor of CSR implementation. Mandatory CSR practices and reporting of other countries create a positive impact on CSR practices by the companies.

Keywords: Corporate social responsibility, Manufacturing sector, legal regulations.

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Analyzing the Current Practice of CSR in the Manufacturing Sector of Bangladesh

Chapter One

Introduction

1.1 Research Background

The manufacturing sector contributes to the economic development and employment creation in Bangladesh. But these contributions come at a substantial environmental cost. The industries under the manufacturing sector are textile, readymade garments, pharmaceutical, engineering, leather, food, and pulp & paper required excessive water and chemical for production purposes. Only a few companies have Effluent Treatment Plant (ETP) that purifies the wastewater to reuse or release safe water to the environment. Water-based wastes from leather, pharmaceutical, textile, pulp and paper, engineering industries are disposed to water. Solid wastes are disposed of on the ground. Living being and the environment are in threat as these industrial wastes contain hazardous chemicals can contaminate food and water.

The manufacturing sector is an energy-intensive sector. Energy sources are natural gas, electricity, diesel, and liquid petroleum gas (Fayez, Islam, Islam & Hasnat 2017). Combustion of these fossil fuels emits a significant amount of greenhouse gasses (GHG). Some of the companies in the garments and textile industry have taken steps to mitigate this problem. The garments and textile industry has 32 eco-friendly factories, which manage to reduce carbon footprint, enhance productivity, and minimize water, electricity, and gas consumption compared to non-eco-friendly factories (“World’s Top”, 2016). The scores of the environmental disclosure index are lowest in the engineering industry and the

pharmaceutical & chemical industry among category-wise disclosure indexes (Yasmine & Bhuiyan 2015).

The Rana Plaza collapse and Tazrin fashion fire exposed the horrific work condition of the garments and textile workers. Workers of the engineering industry, pharmaceutical & chemical industry, leather industry, shipbuilding industry exposed to toxic chemicals, no proper safety measures are followed while working. Often the workers of the garments and textile industry strike in demand to increase their wages. The companies often dismissed these workers who had called for a strike. The industries under the manufacturing sector are falling short of ensuring worker safety and protect their rights.

Corporate Social Responsibility denotes that the business will create a positive impact on society. CSR is an ongoing engagement of business to exercise business activities transparently, while contributing in economic development it will go beyond the legal compliance to conserve the environment, assure the wellbeing of the workforce, the community and the society.

In Bangladesh the companies under manufacturing sector are adopting CSR in their corporate governance. Few companies are working on waste management and reduction of greenhouse gas (GHG) emission. Accidents and workers unrest indicate that the employers are violating the laws regarding labor rights and workplace safety. Though the companies are claiming to practice CSR but current situation shows level of this practice is not satisfactory.

1.2 The Statement of the Problem

This research aims to recognize why the CSR implementation of the companies under the manufacturing sectors is unsatisfactory.

1.3 Importance of the Research

This research would analyze the current practice of CSR in companies under the manufacturing sector. This paper would also analyze despite of the demand of the international buyers and positive impact of CSR, why the companies are reluctant towards CSR implementation. This paper would provide recommendation to improve the current practice of CSR.

1.4 Research Objectives

To identify the primary reasons responsible for the poor execution of CSR practice of the companies under manufacturing sector of Bangladesh.

1.5 Research Questions

1. What is the current trend of CSR in the manufacturing sector of Bangladesh?
2. How effective are the existing laws for CSR implementation?
3. What measures should be taken for the better implementation of CSR?

Chapter Two

Research Methodology

2.1 Research Type – This research is exploratory qualitative research. This paper will investigate the reason for poor CSR practices. This research will analyze the current CSR practices by companies in the manufacturing sector. The cause of choosing this method of exploratory qualitative research to get better understanding of research problem.

2.2 Data Source – This research is based on secondary information of sources mention below

- Journal article related to the subject
- Newspaper article
- listed companies' annual report
- Website of the listed companies
- Bangladesh Securities and Commission's website
- Indian Ministry of Corporate Affairs website
- samfundsansvar.dk website

Chapter Three

Literature Review

3.1 Concept of CSR

Corporate social responsibility (CSR) is gaining attention from companies whether they are small, large, local, or international. In the literature, various authors define CSR in many ways. CSR is considered as business's continuous commitment to behave ethically while contributing to economic development and becoming accountable for the well-being of the employees, their families, their families, the local community, and society. (Sobhan, SSSSSSSSSSS2014).

People misinterpreted CSR as philanthropic activities, where the business gives back to society. Philanthropy can earn publicity, but CSR is similar to public relations, long investment with certain returns (Sobhan, 2014).

Chapple & Moon (2005) mention, CSR is typically described as a company's social participation, responsiveness, and accountability distinct from a company's profit-generating activities and beyond the obligation of law and other government mandates. Chapple & Moon (2005) also addressed that the CSR definition and concept is to keep on changing and becoming more complex due to various business practices CSR differently, provision of government incentives, and different countries follow separate laws & regulations for CSR issues.

According to Carroll (1991), "CSR is a combination of four types of social responsibility; economic responsibility, legal responsibility, ethical responsibility, and philanthropic responsibility" (p. 40). These responsibilities should form a pyramid. While practicing CSR firm must include all these responsibilities to some extent. Economic responsibility is considered as a base of the pyramid. The purpose of business is to provide good and service to customers, in return it will generate profit. According to the second layer, which is the legal responsibility, a business must obey the legal regulations imposed by the

government. The company will conduct those tasks considered to be done or omitted as members of society considered ethical responsibilities. This third layer is the one that obligates the firm to go beyond its interest and fulfill its responsibility towards the customer, stakeholders, employees, and community. Philanthropic responsibility is the last layer of the pyramid. Society expects firms to spend their money and time on the humanitarian program. But firms won't be considered unethical if they do not reach society's expectations.

So, from the current practices and various definitions of CSR, we can say CSR means a continuous commitment to transparent business practice complying with legal regulation, fulfilling responsibility towards the employees, community, and environment. Businesses considered CSR as separate and occasionally conducted activities done for publicity or financial gain. Businesses should view as a combination of policies, practices, programs that are part of daily operations and decision-making and monitored by top management (Sobhan, 2014).

List of Common CSR Practices

CSR Category	CSR activities	
Employee – related CSR activities	<ul style="list-style-type: none"> • Employee welfare • Health and safety, and related Training • Formation of Trade Union. • Policy for equal and impartial employment. 	(Tilakasiri, 2012)
Health - related CSR activities	<ul style="list-style-type: none"> • Organizing awareness program related to various diseases. 	(Tilakasiri, 2012)

	<ul style="list-style-type: none"> • Supporting government hospital. • Donating bed, equipment to the hospitals. • Allocating scholarships for medical college students and doctors to acquire degrees. 	
Education - related CSR Activities	<ul style="list-style-type: none"> • Donation of books, stationaries, uniforms. • Organizing educational seminar. • Organizing training for disable students • Providing skill development program for school leavers 	(Tilakasiri, 2012)
Environment – related CSR activities	<ul style="list-style-type: none"> • Waste management • Tree plantation to avoid soil erosion • Land development 	(Tilakasiri, 2012)
Community - related CSR activities	<ul style="list-style-type: none"> • Organizing awareness program regarding diseases, vaccination, road safety • Infrastructure development, building 	(Tilakasiri, 2012)

	<p>houses for homeless and natural disaster affected people.</p> <ul style="list-style-type: none"> • Education • Relief for natural disaster affected people, 	
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3.2 Reasons that Motivate the Companies to Engage in CSR

- **Reputation of the firm** – Firm's image and reputation are always assessed by its stakeholders. CSR practices have positive impact on the image and reputation of the firm, motivates its management to engage in such activities (Weber, 2008).
- **Employee Retention and Recruitment** - Corporate managers believe that employee-related CSR activities are beneficial for the firms, as it reduces costly employee turnover, boost productivity, and make the firms more attractive to the potential employees (Portney, 2008). Employees become more loyal to those firms which provides its employee safe and healthy workplace, education for, day care, provident their children fund, gratuity fund, etc. Employee-related CSR activities tend to enhance productivity and facilitate recruitment of the firm.
- **Attract investor** - CSR enhances the attractiveness of the firms to the potential investors. Nowadays any investor prior to investing any firm look for their CSR practices. Investors believe that firms CSR practices assure higher market returns (Portney, 2008). Investors feel safe to invest their money to those firm whom are committed to their customers, employees, community and the environment.

- **Competitive Advantage** - CSR creates a competitive advantage for firms helps to retain existing customers and attract potential customers. This sort of competitive advantage cannot be replicated by the competitors easily. Customers are concern about the social involvement of brands, especially in developed countries. So, international companies want to maintain standardized practices of CSR throughout the supply chain of the products.
- **Reduce Cost** - CSR practices help to reduce the cost of the companies. Garment factories use LED light and servo motor fitted sewing machines, reduce energy consumption 35-40% (Bristi, Rajib, & Shoukat, 2020). Companies might face an increase in cost to adopt new technologies initially, but in the long run, they save money.
- **Reduce Negative Publicity** - To avoid negative media coverage and non-government organization's boycott, CSR could be a defensive strategy for the firm (Weber, 2008) (Nasrullah & Rahim, 2013). Companies might have allegations against them regarding worker-related and environment-related issues. CSR implementation would help the companies mitigate those issues, and avoid negative publicity due to that.
- **Create Good Relation with Regulators** – Some firms prefer to go beyond the legal requirement towards environmental and employee related issues because it makes the regulatory authority slower to impose new regulations (Portney, 2008). When a firm already had chosen to go beyond the compliances, the regulatory authority might not become stricter to them. Sometimes regulatory authorities can ban the use of hazardous chemicals or ask to adopt new technology. Then a firm

that had already done those things before the rule was imposed would get a competitive advantage.

- **Tax incentives** - Companies practice CSR on a voluntarily. The government wants businesses to increase CSR practices that why to encourage them tax incentives are allocated. To get these benefits, companies become motivated to practice CSR. In Bangladesh, the government has issued a regulation for tax exemption for the companies performing CSR. The companies will be given a 10% income tax exemption for the amount spent on CSR.

3.3 Reasons that Cause the Companies to Avoid CSR

- **Lack of Capital** - Effective implementation of CSR requires a good amount of capital. Firms prefer to invest in projects that generates higher returns than finance in CSR implementation (Yuen & Lim, 2016). Companies in developing countries still consider investing in CSR as an expense. The shipping industry of Singapore lacks financial support for CSR implementation because management lacks proper plans and measuring issues of CSR (Yuen & Lim, 2016).
- **Skilled Human Capital** - CSR practices require skilled and expert human capital to guide firms on implementing and monitoring such practices (Yuen & Lim, 2016). Implementation of CSR is complex and challenging (Arevalo & Aravind, 2011), requires skilled people and a separate department to manage it. Due to this, firms might not interest in performing CSR activities. Singapore's shipping industry experiences lack of a dedicated department with skilled people for CSR implementation and often other departments supervise CSR (Yuen & Lim, 2016).

- **Lack of Support** - Implementation of CSR requires support from top-level and middle-level management; most of the firms lack adequate support to practices CSR effectively (Arevalo & Aravind, 2011). CSR should be introduced, led, and monitored by the top-level and mid-level management. Commitment and ideologies of the top management help the company implement CSR effectively.
- **Absence of Immediate Benefit** - Some studies identified that CSR practices do not generate immediate benefits. So, firms keep CSR activities on the minor priority list and focus on short-term financial gains. Survey identified that companies under shipping industry in Singapore are unable to measure the benefits of CSR, which affects the management decision for allocating financial support for the implementation (Yuen & Lim, 2016).
- **Difficulties of CSR execution** – The execution of CSR is multifaceted which deals with social, economic and environmental aspect (Arevalo & Aravind, 2011). Companies need to interact with a variety of stakeholders with different interests. These tasks are not only challenging but also time-consuming. That is why firms avoid CSR practices. The Indian firms avoid CSR practices because it is complex and difficult to implement (Arevalo & Aravind, 2011).
- **Lack of training** - CSR implementation requires the involvement of the employees. Companies need to perform training programs to upgrade existing employees' skills to implement CSR successfully. This training would help to understand the effect of CSR on them and their surroundings. CSR implementation would not be adequate without training. Due to additional costs firms avoid conducting such training.

3.4 CSR in Bangladesh

1) Reasons that Motivate Bangladeshi Companies Practice CSR

- **International Buyers's Demand** - Footwear and clothing industries are labor-intensive, mainly located in developing countries. The global supply chain of these products is buyers-dominated, not producers-dominated. The international buyers want their suppliers to perform standardized CSR activities to maintain buyers' brand images, market shares, and competitive advantages (Rahim & Wisuttisak, 2013).
- **Global Market Access** – The small and medium enterprises (SMEs) of the manufacturing sector are the subcontractor of the large enterprises. At present the SMEs want to enter the international market as the main supplier of the brands; they need to comply with CSR standards denoted by the international buyers (Rahim & Wisuttisak, 2013).
- **To Avoid Negative Publicity** - The practices of CSR can be used as a defensive strategy to avoid the negative publicity of the firm (Nasrullah & Rahim, 2014). There are many allegations against the RMG sector, such as paying low wages, violate labor rights, child labor issues, unsafe working conditions issues, etc. Due to this, companies are at threat of being boycotted by the NGO's and the demand for their products might decline specially in global market. CSR activities can help the firm to avoid such negative publicity.
- **Employee Retention and Recruitment** - To maintain a loyal and skilled workforce, companies practice many employee-related and community-related

CSR activities in Bangladesh. These CSR activities provide bonuses, interest-free loans, meals from the canteen, healthcare service, infrastructure development, free training for females, free medicine to hospital, etc. These CSR activities are a strategic initiative to retain the existing employees and attract potential one. The manufacturing plants of Square groups are located in Pabna. Square has taken various steps to keep its skilled workforce, such as investing in infrastructure development in Pabna and providing facilities to female employees.

2) Reasons that Cause Bangladeshi Companies Avoid CSR

- **Lack of legal requirement** – CSR practices are not a mandatory requirement in Bangladesh. The Bangladesh government encourages the companies to include CSR as their corporate responsibility, allowing them tax incentives. But the government has not imposed any specific regulation for the implementation of CSR. It has been identified that due to a lack of legal requirements, companies tend to avoid implementing CSR. The Company Act 1995, Bangladesh Labor Act 2006 & The Environmental Conservation Act 1995 are the law that has provision for associating CSR in corporate governance indirectly but these laws have flaws that make the employers of a company not comply with these laws (Rahim, 2012).
- **Lack of resources** - The expenses of CSR are considered as an additional expense. Export-oriented companies perform CSR activities due to the demand of international buyers. These companies have adequate resources to perform CSR. On the other hand, small and medium companies do not have enough resources to support CSR. They prefer to invest in projects which generate a higher return, not to finance CSR activities.
- **Lack of knowledge/skilled people** - In Bangladesh CSR is comparatively a new phenomenon. So, most of the companies do not know the process and requirement

of CSR implementation. The implementation of CSR is a complex process which demand skilled people and separate committee to set the policy & allocate budget. So, the companies hesitate to associate CSR in its corporate governance as it is comparatively new, complex and time consuming.

- **Lack of NGOs intervention** – Unlike developed economy, the NGOs of Bangladesh do not play an effective role to monitor companies CSR issues and cannot take action against any company who violate legal regulations (Rahim, 2012). It has been observed that many times workers of the garments factory call for strike because of their wages issue. But the involvement of NGOs to solve the problem is not significant. NGOs also fail to draw public attention and that why the workers lack public support to solve their problems.

3.5 The influence of CSR on the Company's Financial Performance

- **Positive influence of CSR** - ROE and Leverage ratio are positively associated with firm's CSR activities (Masum, Uddin, Ahmed & Uddin, 2019). Firms engaged with more employee-related CSR activities tend to achieve high performance. The leverage ratio of the firm is also positively associated with employee-related and environment-related activities. Lenders' preference is influenced by the employee-related and environment-related CSR activities of the firms. Companies ROA, ROE, leverage, and turnover are significantly affected by CSR factors such as education, environment, community, products, customers, and employee benefits expense (Cherian, Umar, Thu, Trang, Sial, & Khuong, 2019).

- **Negative influence of CSR** - Firms adopting CSR would have higher chances of cost increase and impaired performance (Henderson, 2001). According to Henderson (2001) CSR increases the goals & concerns of the managers and requires a new accounting system, monitoring, and auditing. Implementation of CSR is complex and requires skilled people to guide and monitor it. The firm's prime focus is to increase the shareholders' wealth; the firm needs to concentrate on the social good due to CSR which, affects its profit-generating operations.
- **No significant influence of CSR** - Some researchers have identified that the financial performance and firm's CSR activities are not linked with each other.

3.6 Implementation of CSR in Manufacturing Sector

- **Waste Management** - Waste management is a significant part of environmental - related CSR activities. RMG industry applies various process for waste management those are using Effluent Treatment Plants (ETP), reusing water, reusing fabrics, selling rejected garments (Bristi, Rajib, & Shoukat 2020). Companies under steel, pharmaceutical industries use water treatment plant (WTP) for water recycling, Air Pollution Control (APC) system to purify air and Effluent treatment plant (ETP) to treat liquid waste. (BSRM Steel, GPH Ispat, Beximco, Square Annual report).
- **Health Services** - The Companies perform CSR activities by providing health care to the employees, their families, community, and stakeholders (Pride Group, Garments factories, Holcim Cement, Lafarge Cement, Werner, 2009). The Garments factory-owners usually allocate the space of the satellite clinic near the

factories. The owners bear the cost of treatment and allow the workers time off to visit the clinic. Cement companies provide accident insurance to construction site workers and allocate satellite clinics for them. Enhancement in productivity, less absenteeism, and better health condition of the workers have been observed after these health services.

- **Trainings** - Companies under the cement, footwear, pharmaceutical industries are associated with community-related CSR activities (Lafarge Cement, Bata Shoe Company, Werner, 2009). Lafarge cement provided development training to the females of the community near their manufacturing plants, such as cattle-rearing, kitchen-gardening, candle-making, sewing, poultry, and shop management. Bata Shoe Company provides free training on sales and enterprise development; trained women become mobile sales agents.
- **Education** - Square group's manufacturing plants are located in the Pabna district. To attract and retain skilled employees, they identified the need for education-related CSR activities (Wener, 2009). Square Kindergarten & High school at Pabna facilitates education to the children of the employee, management, and community. They want to enhance the technical and communication skills of those children as their future workforce.
- **Employee Welfare** - Companies provides some benefits to their employee as a part of their CSR activities. Square group provides their employee five times bonuses, profit sharing, paid leave, loans for workers' child education, insurance for the workers, loans without interest, share in profit, performance bonus, retirement benefits, health care services, meals provided from the cafeteria (Werner 2009). Apex Adelchi Foot Wear Limited facilitates their workers child care, canteen, insurance, and medical facilities (Sobhan, 2014).

3.7 Government Organizations Implement and Monitor CSR activities

- **Ministry of Labor and Employment** – The Ministry of Labor and Employment has a department known as Department of Inspection for Factories & Establishment (DIFE) which assures that factories implement safety and security-related laws. They enforce 46 statutes and regulations regarding worker safety and to improve the working environment (Mausumi, 2018).
- **Ministry of Environment, Forest and Climate Change** – The Ministry of Environment, Forest, and Climate Change imposes regulations to control and minimize industrial pollution and conserve the environment.
- **Bangladesh Bank** – In 2008, Bangladesh Bank initiated the campaign of mainstreaming CSR practices in the financial sector, which includes the bank and NBFIs. In the same year, Bangladesh Bank issued a circular regarding bank's CSR practices. The circular mentioned that CSR for the banks is not compulsory. Banks and NBFIs will practice CSR voluntarily. The Bangladesh Bank would monitor the practices of CSR of the banks and NBFIs. These practices would be considered as an extra facet of the banks and NBFIs.
- **Bangladesh Securities and Exchange Commission (BSEC)** – The regulatory body of the capital market is known as Bangladesh Securities and Exchange Commission (BSEC). The BSEC issued a circular on which Chapter D consists of code regarding CSR implementation and reporting. According to the titled 'Draft Corporate Governance Guidelines,' the listed companies are encouraged to follow the Chapter voluntarily until 31st December 2020. But after that, the companies have to comply with Chapter D mandatorily.

Chapter Four

CSR practices by the Companies under the Manufacturing Sector of Bangladesh

1. Square Pharmaceuticals LTD

The CSR activity of Square Pharmaceuticals are given below (Square Pharmaceuticals LTD Bangladesh, 2021).

Employee-Related CSR Activities	Health & Safety <ul style="list-style-type: none">• The company bears 50% cost of the treatment of employees and their parents, spouse, children.• The company facilitates free medical checkups and medicines if any factory workers become sick in the workplace. They also maintain free health checkups for the factory workers regularly by doctors. Employee Welfare <ul style="list-style-type: none">• The company allocates provident funds, gratuity plans, group insurance schemes, profit participation.• They run a project to provide their employees' loans with a small charge known as 'Shohoj Kisti Reen Prokalpa' for buying home appliances.• Square provides home loans for its employees with nominal charges and a more extended payment period.• Employees are allowed to take casual leave, sick leave, festive leave, and annual leave.
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	<p>Benefits for female workers</p> <ul style="list-style-type: none"> • The female employees do not work on night shift. • They are given maternity leave according to the Bangladesh Labor Law. • Breastfeeding centers and Daycare centers are created to benefit female employees with children. Daycare centers have caregivers to take of the children. <p>Trade Union</p> <p>The company established a trade union for their workers known as ‘Square Kormochari Samity.</p>
Education -Related CSR Activities	<ul style="list-style-type: none"> • The company established Dishari Computer Training Center in Paban to give free computer training to underprivileged students. • Square established a school in Pabna for the children of their workers, and community people.
Heath- Related CSR Activities	<ul style="list-style-type: none"> • Under the Continual Medical Education (CME) programs, Square arranges various health-related seminars and webinars with doctors and health professionals.

	<ul style="list-style-type: none"> • Square pharma donations mask, face shield, hand sanitizer, and hand gloves to different hospitals. • Square pharma undertakes various awareness building programs related to breastfeeding, diabetes, vaccination, road safety. • Donated 10,000 PPE (Personal Protective Equipment) to various hospitals
Environment-Related CSR Activities	Waste Management. <ul style="list-style-type: none"> • Effluent Treatment Plant (ETP) is used to treat wastewater; the treated water is used in car washing and gardening. • To dispose of solid waste, they use incinerators that protect the environment from pollution. • To control air pollution the production buildings' exhausts are fitted with air filter.
Community- Related CSR Activities	<ul style="list-style-type: none"> • Square Kindergarten, high school, and college are located in Pabna, provides the best quality education to the children of the employee and the community. • They provide free ambulance service and medicine for Covid -19 patients in Pabna.

2.Beximco Pharmaceuticals LTD

The CSR activities of Beximco Pharmaceuticals LTD are given below (Beximco Pharmaceutical LTD, 2021).

Employee-Related CSR Activities	Health & Safety <ul style="list-style-type: none"> • Provides factory-based workers routine health checkups, free-of-cost doctor's consultations for them and their families. • Employees are provided first aid, firefighting training. • Head office and factories have emergency exits with proper signage and fire doors. Employee Welfare <ul style="list-style-type: none"> • Employee benefits include free lunches for factory workers, annual picnics, cultural programs, provident fund, gratuity, profit sharing, group insurance, education scholarship programs for the employee's children.
Education -Related CSR Activities	<ul style="list-style-type: none"> • To enhance the computer skills of underprivileged students, the Company financially supports three computer training centers in the districts of Bangladesh
Health- Related CSR Activities	<ul style="list-style-type: none"> • Beximco Pharma provided PCR kits, PPE, N95 masks, goggles to the different hospitals.

	<ul style="list-style-type: none"> • The company donated Remdesivir injections to the Government Covid -19 dedicated hospitals. • Supports various health camps by providing medicine. • Sponsored mask wearing campaign
Environment-Related CSR Activities	<p>Waste Management.</p> <ul style="list-style-type: none"> • Liquid waste is treated in the ETP. • Incineration plant used to burn all solid waste, including ETP sludge. • The oxygen level of the wastewater is checked prior to discharge to satisfy the permissible limit.
Community- Related CSR Activities	<ul style="list-style-type: none"> • Beximco donated medicines to natural calamity victims.

3.GPH Ispat LTD

The CSR activities of GPH Ispat are given below (GPH Ispat LTD, 2021).

Employee-Related CSR Activities	<p>Health & Safety</p> <p>GPH provides their workers medical facilities.</p> <p>Employee Welfare</p> <ul style="list-style-type: none"> • GHP Ispat provides their employee house rent allowance, transport facility, provident fund, gratuity fund, group insurance, picnic, cultural program, sports program, an education facility for their children.
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Education -Related CSR Activities	NIL
Heath- Related CSR Activities	<ul style="list-style-type: none"> The Company donated 1000 oxygen cylinders to the hospital in Chittagong.
Environment-Related CSR Activities	<p>Waste Management.</p> <ul style="list-style-type: none"> GHP Ispat has Effluent Treatment Plant (ETP) to treat liquid waste. GHP is using State-of-the-Art technology, which reduces carbon emission occurs due to the production.
Community- Related CSR Activities	NIL

4.BSRM Steels LTD

The CSR activities of BSRM steel are given below (BSRM Steels LTD, 2020).

Employee-Related CSR Activities	<p>Health & Safety</p> <ul style="list-style-type: none"> Company takes necessary steps to provide its workers safe working place. Health check-up facilities provided to the workers. <p>Employee Welfare</p>
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	<ul style="list-style-type: none"> • Employees are allocated for bonuses for religious occasions. • Pension fund, gratuity, and group insurance are provided. • Scheme to buy cars. • Scheme for self and children education. • Scholarships for employees' children for scheme, employee education scheme, employee children for remarkable educational achievement. • Facilities for home loans, hospital admission, wedding, and maternity.
Education -Related CSR Activities	<ul style="list-style-type: none"> • Since 2015, BSRM steels and CRP (The Centre for the Rehabilitation of the Paralyzed) have worked as a partner to provide vocational training to the disabled people known as 'BSRM-CRP Vocational Training facilities for Person with Disability (PWD)'. Disable people are provided training on shop management, computer, sewing, repairing electronics. • Burhani BSRM School started its journey in 2006 Debar par, provides free education from nursery to grade 8 for the poor children.
Heath- Related CSR Activities	<ul style="list-style-type: none"> • Since 2015, BSRM steels has worked with Lion Mokhesur Rahaman Foundation and SNAD Foundation Bangladesh on a project known as 'Zero Clubfoot' till now; they serve 320 patients.

Environment-Related CSR Activities	Waste Management. <ul style="list-style-type: none"> • BSRM's water treatment plant recycles 373,700 cubic meters of water daily. • Their Air Pollution Control (APC) system purify 31,584,000 Cubic Meters of air daily.
Community- Related CSR Activities	NIL

5. LafargeHolcim Bangladesh LTD

The CSR activities of LafargeHolcim Cement are given below (LafargeHolcom Bangladesh, 2021).

Employee-Related CSR Activities	Health & Safety <ul style="list-style-type: none"> • They take the necessary steps to reduce medical injuries. • Free health checkup provided to the factory workers. Employee Welfare <ul style="list-style-type: none"> • The company facilitates its employees with provident funds, gratuity, and profit participation.
Education -Related CSR Activities	NIL

Health- Related CSR Activities	NIL.
Environment-Related CSR Activities	Geocycle is a subsidiary of LafargeHolcim which provides solution for waste. LafargeHolcim controls 6500 tons solid and liquid waste with the help of Geocycle.
Community- Related CSR Activities	LafargeHolcim has manufacturing plant in Chatak, Mongla, and Meghna ghat. The company provides primary education to community children, infrastructure development, healthcare facilities, reconstruct roads and vocational trainings for the community people.

6.Bashundhara Paper Mills LTD

The CSR activities of Bashundhara Paper Mills LTD are given below (Investor Relation: Bashundhara Paper Mills LTD, 2020)

Employee-Related CSR Activities	<p>Health and Safety</p> <ul style="list-style-type: none"> • BPML maintains updated records of the employee's health, accident, or incident. • The employees are provided information and training regarding health and safety issues. • All the equipment and machinery are maintained properly to avoid accidents. <p>Employee Welfare</p>
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	<ul style="list-style-type: none"> • The company provides their employees provident fund, gratuity plan, insurance scheme, bonus, profit participation
Education -Related CSR Activities	<ul style="list-style-type: none"> • Donation of educational materials • Scholarships provided to various educational institutes. • Provides education to 200 underprivileged autistic children.
Heath- Related CSR Activities	<ul style="list-style-type: none"> • The company assists Ibrahim Cardiac Hospital & Research Institute to facilitate treatment for poor cardiac children. • • The company donated masks, PPE, sanitizers, Covid -19 kits to the hospitals, and foods to the underprivileged people.
Environment-Related CSR Activities	Waste Management <ul style="list-style-type: none"> • Recycles the production waste • Effluents are treated before discharge • Company sets up water treatment plant
Community- Related CSR Activities	NIL

7.Desh Garments LTD

The CSR activities of the Desh garments are given below (Desh Garments LTD, 2021).

Employee-Related CSR Activities	Health & Safety Achieved international certification for maintaining international labor standard and safe working place from BSCI, WRAP Accord, and Alliance. Employee Welfare The company creates the workers' profit participation fund and welfare fund regularly. Due to Covid -19, the company lacks sufficient money to make these funds for their workers this year.
Education -Related CSR Activities	Established the Muslim Girls High School of Mymensingh and hostel.
Heath- Related CSR Activities	NIL
Environment-Related CSR Activities	NIL
Community- Related CSR Activities	NIL

8. Envoy Textiles LTD

The CSR activities of Envoy Textile Limited are given below (Envoy Textiles LTD, 2021)

Employee-Related CSR Activities	Employee Welfare <ul style="list-style-type: none"> • Employees are provided provident fund, profit sharing, gratuity. • Facility to reimbursement of medical expense. • Ex-employees provided medical allowance for special treatment. • Discounted lunch from canteen. • Employee's children get scholarship for the education. • Organized annual sports program, cultural program for the employees. • Health and Safety • Firefighting training provided to the workers. • Due to the pandemic, proper measures were taken, such as temperature checking, social distance maintenance, and self-hygiene. • Comply BSCI (Business in Social Compliance Initiative) and Alliance guidelines
Education -Related CSR Activities	<ul style="list-style-type: none"> • They facilitate rural people and children with vocational and educational training programs.
Health- Related CSR Activities	<ul style="list-style-type: none"> • Built a pediatric intensive care unit at Dhaka medical college, now the maintenance of the unit done by Envoy textile.

	<ul style="list-style-type: none"> Organize awareness building program for Covid-19, Dengue
Environment-Related CSR Activities	<p>Envoy is the first company to achieve LEED certification in Bangladesh for healthier, productive premises and efficient energy use.</p> <p>Waste Management</p> <ul style="list-style-type: none"> Uses ETP for waste management and reuse the treated water.
Community- Related CSR Activities	<ul style="list-style-type: none"> Envoy provides relief and rehabilitation to natural calamity victims

Chapter 5

CSR Laws in Bangladesh and its Effectiveness

In Bangladesh, CSR is practiced by companies voluntarily. Any specific legal regulation does not guide the practices of CSR in Bangladesh. The laws are described below which regulate the activities of the businesses.

- **Company Act 1994** – The Company Act 1994 contains clauses regarding the requirements to form a company. The entitlement and accountability of the board of directors, managers, stockholders are defined by this Act (Khatun, 2014). This Act also describes the characteristics of Corporate Governance and structure & characteristic of ownership. The company's management is not allocated any obligation to carry out CSR by this Act (Rahim, 2012). As per this Act, the directors are responsible for the business's financial activities. But they are not accountable for any harm caused due to the company's operational activities to its stakeholders (Khatun, 2014).

There are two methods to evaluate the performance of CSR, one from the quality of the report published by the company on its social responsibility performance and second from its inside operations to acknowledge the demand of the community, society, and environment (Khatun, 2014). As per this Act to inform the existing and potential shareholders about company's financial performance company must published annual report. So, it is considered as an indirect way to identify company's strategies. This Act mentioned that the directors are liable for publishing false, vague information in the annual report, but this Act also has a provision for statutory defense, which limits the opportunity of investors for compensation. The penalty for issuing incorrect information is inadequate. According to Company Act 1994, any company must disclose energy expenditure under the requirement of environmental concern. But this Act lacks provisions regarding CSR implementation and reporting.

- **The Bangladesh Labor Act 2006** – Bangladesh Labor Act 2006 covers a wide range of labor-related issues. In 2006 the government passed Labor Act in which all the previous laws were repealed and made a comprehensive single labor code. Labor Act 2006 has rectified the significant lacking of the last law labor. According to this Act, the workers should be provided an appointment letter and identity card by their employers. It has increased the facilities of the female workers. Before, female workers had to work for more than six months to become entitled to 12 months maternity leave; now, if they work for more than one month, they are entitled to 18 months maternity leave. This Act also includes important provisions: termination of the contract by both the workers and employers, benefits for the sudden death of workers, compensation for injuries due to accident while working, overtime, and sick leave.

According to Bangladesh Labor Act 2006, the workers have the right to form a trade union to regulate the relationship between worker and worker, employer and worker but the mentioned formation strategy has flaws (Khatun, 2014). The amendment of this Act was published in 2013. The amendment has provisions regarding workplace safety and health. A company with more than 5000 workers and more than 500 workers must have a health center and welfare officer, respectively. Employers are liable to pay for the treatment of workers' occupational diseases. The amendment of BLA also includes the provision of health, group insurance, collective bargaining, and freedom of association. Though BLA covers various labor issues, but its implementation policies failed to force the management of the company to assure well-being of its workers (Rahim, 2012).

- **The Environmental Conservation Act 1995** – The Environmental Conservation Act 1995 contains the provisions to control and minimize industrial pollution and

environmental damage (Rahim, 2012). The enforcement of the laws in this Act is mainly reliant on the public institutions and government employees.

If a business wants to take permission for the new business unit, it needs environmental clearance. To achieve this clearance, the company must take a certificate from the local government authority mentioning that the authority has no objection to establishing the new unit. In the Act, it is not mentioned on what basis the government authority provides such a certificate. So, this Act contains many provisions which are heavily dependent on government authority. The level of corruption in the government authority is also high. Excessive dependency on the government authority weakens the Act's requirements to force the company to become accountable towards the environment.

Chapter 6

The CSR implementation regulation of different countries

India

According to Company Act 2013, section 135, if any company has net worth rupee 500 crore or more, or turnover rupee 1000crore or more or net profit rupee 5crore or more in any financial year. The company have to create a CSR committee consisting of three or more directors (Ministry of Corporate Affairs Government of India, 2014).

The committee for CSR will recommend and develop a CSR policy for the Board. This policy will guide the Board on which activities should be conducted by the company under Schedule VII Section 135. The CSR committee will propose the amount which would be expend on those activities and monitor the policy time to time.

The Board will consideration those recommendations. After approving the policy set by the CSR committee, the company has to mention its CSR policy on its website and reports. The Board will monitor that the CSR activities are conducted according to the policy. The Board will make sure that the company spends two percent of its average net profit on CSR activities.

When any company cannot spend the allocated percentage of the net profit for CSR activities, the board of directors must mention the reasons which prohibit the spending in the annual report. If the reason is considered to be not valid, the company would be fined, and the responsible officer would be imprisoned or fined or both. To conduct CSR activities company can prefer the local area or areas where they operate.

Impact of the mandatory CSR law

According to the Sundar (2018), due to mandatory law of CSR forces many companies to practice CSR and contribute in social development. The stricter reporting and monitoring

of CSR made the companies deal the social development in a systematic manner. The government can generate resources from the companies to finance their own social development programs.

Denmark

According to National Action Plan (2012), the government of Denmark encourages companies to describe responsible business practices. The government also motivates the companies to apply international guidelines to conduct CSR activities; those guidelines are the United Nation's guiding principles on business and human rights, the UN Global Compact, the OECD guidelines for multinational companies, and ISO 26000 (Danish Business Authority, 2014).

- There is no legal requirement for the small companies for CSR, but they need to be aware of the international guidelines.
- In the year 2008 the Danish Government introduced a law regarding mandatory CSR reporting for large companies in Danish Financial Statements Act.
- According to this law, the large companies have total assets worth 143 million Danish Krone, net earnings of 286 million Danish Krone, and the number of full-time employees 250 or more.
- The large companies need to mention in the annual report:
 1. CSR policy
 2. The implementation of the policy
 3. The result or outcome of the policy and future expectations from the CSR activities
- If the large company does not have any CSR policy, it needs to mention that in the report.
- CSR must include anti-corruption measures, environmental issues, human rights, and social conditions in business activities.

- If the parent company prepares the report of CSR policy and activities of the entire group, the subsidiary company can omit CSR information in its report.

Impact of the Denmark's CSR on the Business

- In the National Action Plan of CSR (2012), the government of Denmark encourages the business to implement internationally recognized policies such as UN Global Compact, the OECD guidelines, and ISO 26000 (Danish Commerce and Companies Agency, 2010). It has enhanced the focus of the business towards CSR.
- The legal requirement of reporting CSR has increased the sustainability of the business. The management of some companies identified that this legal requirement helps them focus on the energy-saving solution (Danish Commerce and Companies Agency, 2010). They have also mentioned that their business opportunities have also been enhanced.
- The manager of one company believes that if his company works on CSR but does not inform anyone about it would be like sowing some crops then, later on, forget to harvest them solution (Danish Commerce and Companies Agency, 2010). The companies' annual report is a tool to communicate with the partners, shareholders, and stakeholders. So, the companies can inform people about their CSR activities.
- Most of the companies use the guideline provided by the Danish Commerce and Companies Agency to report CSR, which benefited the company to identify the scope of the legislation solution (Danish Commerce and Companies Agency, 2010).

- The CSR reporting law was implemented in the year 2009. In 2008 the number of CSR issues (human rights, working conditions, reducing corruption, environment, etc.) reported on average 13% from five different sectors. But in 2010 it increased and became 21% (DanWatch, 2011).

Bangladesh

In Bangladesh the practices of CSR are done by companies on voluntary basis. Government allowed tax rebate to encourage businesses contribute more in CSR. The Bangladesh Securities and Exchange Commission in the year 2017 issued a guideline for Corporate Governance. The chapter D of the guideline covered the environmental and social responsibility issues. In the draft guideline mentioned that the listed companies comply with Chapter D from 20th December 2020 (Securities Law: Bangladesh Securities and Exchange Commission, 2017).

- The company will create a subcommittee of Board of Directors to make policy and implement Environment and Social Responsibilities (ESR).
- This committee will make policy for REI (Responsibilities for Environmental Issues) according to requirement of the government authority and the industry it belong.
- Government encourages the company which holds AGM on regular basis, pays dividend more than 10%, has no retained loss, and comply with the provision of CSR implemented by the government to create separate fund for the CSR from the profit of the company.
- The money of the fund should be allocated for the scholarship for the poor students, natural disaster relief, PM relief fund, socio- economic development, for the conservation of the nature, animals & plants, for the program to protect the environment from pollution, contribute to government recognized program to enhance the medical equipment facilities of the hospitals, etc.

- The committee will select the policy, budget and activities for CSR and monitor the implementation of it.
- The Board of Directors will include the CSR policy, undertaken programs, ERSC composition process, CSR budget in the Annual report.

Chapter 7

Finding, Discussion, and Recommendations

Findings

Employees Related CSR Activities

Health and Safety

Square Pharmaceuticals, Beximco Pharmaceuticals, BSRM Steel, LafargeHolcim, and GPH Ispat provide their workers free health checkups. The rest of the companies, Desh Garments Bashundhara paper mills, Envoy Textiles, did not give any information about the health services provided to their workers. Only two companies, Beximco Pharmaceutical and Envoy textiles, provide firefighting and first aid training to their workers and employee.

Employee Welfare

Apart from Desh Garments, all the other companies disclosed their employee welfare information where provident, gratuity and profit participation are common benefits provided by all the employers. The rest of the benefits varies from company to company. Square mentioned providing maternity leave as per law, breastfeeding center, daycare center for female workers. BSRM mentioned giving benefits for maternity. The rest of the companies did not provide any information regarding female workers' benefits.

Trade Union

Only Square Pharmaceuticals has a trade union, and the other companies do not have a trade union.

Environment Related CSR Activities

Apart from Desh Garments rest of the companies take steps to control the waste. Square Pharmaceuticals, BSRM Steel, and Envoy textiles mentioned planting trees in their factory site. But none of the companies take any initiative for tree plantation for a specific community or prevent soil erosion.

Health, Education and Community Related CSR Activities

Square Pharmaceuticals and Beximco Pharmaceuticals are more associated with health-related CSR activities. Square in Pabna and LafargeHolcim in Chtak and Mongla conducted community-related CSR activities where their manufacturing plants are located. Apart from LafargeHolcim and GPH Ispat rest of the companies contribute to education. But in general, the companies are conducting the health, education, and community-related CSR activities discretely. To get a long-term beneficial outcome from their initiatives, they need policy and collaboration with NGOs. The outcome of the CSR practices would be more appropriate as NGOs have expertise regarding how to eliminate health, education, and community problem.

The companies mentioned that they were aware of CSR in annual reports. Only Square mentioned that they adopt UN Global Combat guidelines for CSR, but the rest of the companies did not mention adopting any guidelines for CSR. It was not identified from the reports that the companies have a separate committee or department for CSR.

Discussion

In this research, the CSR practices of eight listed companies are analyzed based on the information provided in their annual reports (2019-2020) and websites. Apart from Desh

garments rest of the seven companies took the initiative for waste management. In the employee-related CSR, the common benefits all the companies provided to their workers gratuity, provided fund and profit participation. Apart from Square, none of the companies mentioned about the daycare center, breastfeeding center, and maternity leave. BSRM only mentioned that they provide maternity benefits, but no deals are provided. Only five companies provided information regarding free health checkups for the employees. Square mentioned that they have trade union but rest of the companies do not have trade union. The workers can raise their demand through the trade union and the owner can understand problem faced by their workers. But in Bangladesh most of the companies do not allow their workers to join trade union because trade union supports worker's rights and developments. Only two companies mentioned they provide firefighting and first aid training. Only Square Pharmaceuticals mentioned having a trade union. Pharmaceuticals companies Square and Beximco Pharmaceuticals contributed more to health-related CSR activities. For education and community-related CSR activities, the eight companies take different initiatives. But the current practices by the companies denote that the voluntary practices of CSR are not done systemically. Only Square pharmaceuticals mentioned that they follow the UN Global Combat CSR principle, but the rest of the companies did not mention adopting any guidelines. The implementation of CSR is a difficult and complex task, but none of the companies mentioned having a separate department or committee. Proper implementation of CSR can generate greater benefits to the employees, environment, community, and society. The implementation CSR companies are required to follow proper guidelines. The company also requires separate committee and internal policies for CSR implementation.

The legal regulations of our country are not in favor of CSR implementation. The Company Act 1994 does not have any provision that assigns any responsibility to the management for CSR implementation. The Bangladesh Labor Law 2006 deals with a wide range of labor rights-related issues, but the strategies mentioned to implement those rights are not well defined. The Environmental Conservation Act 1995 deals with pollution-related issues which are conducted by businesses. But the provisions of this Act are heavily dependent

on the government authority for implementation. So, the lack of proper regulation for CSR is allowing the companies to avoid CSR practices.

CSR implementation and reporting are in India and Denmark. In India, it has been identified that it forces the company to practice CSR who are not practicing before. The government of India has determined which activities would be considered CSR and help the companies adopt CSR in a systemic manner. On the other hand, mandatory CSR reporting in Denmark enhances the focus of the companies towards CSR, which helps to associate with their surroundings. Companies are encouraged to follow international guidelines such as UN Global Compact, the OECD guidelines for multinational companies, and ISO 26000. Mandatory CSR reporting in Denmark requires companies to mention their policy, implementation of CSR based on policy, and outcome of CSR. Companies can easily identify that their CSR practices how much benefitting their employee, environment, and society. Based on that, they can modify their policy and activities.

Recommendations

- The government needs to provide a guideline with a list of activities that would be considered as CSR.
- The practices of CSR should be mandatory and require separate laws for implementation.
- Mandatory CSR reporting enhances the contribution of the companies of India and Denmark towards social development and sustainability. CSR reporting should be mandatory for Bangladeshi companies.
- Companies require proper policy and separate committees for CSR implementation.

- The formation of trade unions helps to achieve a good working environment and better relations between employees and employers.

Conclusion

CSR implementation enhances the brand value, attract customers, helps to retain and attract employee. Despite these benefits in Bangladesh, the companies tend to avoid CSR practices. The identified reasons for unsatisfactory CSR practices are lack of legal regulations, guidelines, company policy, and separate committees for CSR implementation. Companies are not conducting CSR in an organized manner. The outcome of the current practices also not evaluated by the companies. Our existing laws are also not in support of implementing CSR. The laws lack proper provision which can force the management to create a better workplace for their workers and environment friendly company. It is the responsibility of the government, NGOs, and media to draw the attention of the business owners to contribute to CSR practices systemically.

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